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OFFICE OF
THE TREASURY ATTACHÉ

UNITED STATES TREASURY DEPARTMENT

AMERICAN CONSULATE GENERAL

SHANGHAI, CHINA

July 21, 1939.

Commissioner of Customs,
(Investigative Unit),
Treasury Department,
Washington, D. C.

Sir:

There are enclosed for the information of the Bureau
and other interested Departments copies of a report
entitled: "Japan's Plan for Drug Monopoly in East China." ✓

JWB

Fuller
Anslings ✓

Respectfully,

W. R. Anderson

Treasury Attaché

Enc.

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Shanghai, July 18, 1939.

Investigation Unit
M. R. Nichols

JAPAN'S PLAN FOR DRUG MONOPOLY IN
EAST CHINA

Information secured from puppet circles here reveals that the Japanese authorities have decided to grant a monopoly for the manufacture and distribution of narcotic drugs for "medicinal and scientific purposes" in their occupied areas in this part of China to a leading Japanese drug firm. The source of raw materials will be chiefly monopoly opium, from which 3% of morphine is to be extracted before distribution. This is the system employed by the Japanese opium monopoly in Formosa. After extraction of this 3% of morphine, the residue will be mixed with other elements, thus giving the government opium a new formula which is entirely different from private opium and facilitating official control.

As a site for the narcotic factory needed to extract the morphine from monopoly opium, there was originally suggested the large house at 75 Jessfield Road, but this has recently been acquired by Wang Ching-wei's group for use as its headquarters. It is also reported that Wang Ching-wei himself may move there to live in the near future.

Takeda (武田長兵衛), chief representative of the new monopoly, has been trying very hard to secure a leading Chinese drug firm as a partner in the undertaking. It is most desirous of securing the cooperation of the International Dispensary Ltd. (五洲大藥房) but the attempt has not been successful. Some Cantonese and local drug merchants did apply to take part, but were not welcomed by the Japanese. The general issue is still pending.